GOVERNMENT OF ANDHRA PRADESH
ABSTRACT

Finance Department- Registration of APGICL (Andhra Pradesh General Insurance Corporation Limited) with ITDAI – Requirement of additional capital infusion for maintaining required solvency margin- Orders – Issued.

FINANCE (ADMN-III,DI-DSA) DEPARTMENT

G.O.Ms.No.73 Dated: -14/09/2021
Read the following:

1. Memorandum to Cabinet on establishment of APGICL Dt. 27.11.2019.
2. G.O.Ms.No.157, Finance (ADMN.III (D.I&DSA)) Dept., Dt. 20.12.2019
3. Clarifications sought by IRDAI vide its mail Dt. 02.03.2021.
4. Agenda Item No.3.15 of 3rd Board Meeting of APGICL Dt. 31.03.2021
5. Lr.No.11/APGIC/IRDAI/07 Dt. 03.05.21 of APGIC to IRDAI
6. Clarifications sought by IRDAI dated.16.08.2021.
7. Lr.No: 26/APGICL/Finance Dept.,/2021 of APGICL Dt. 14.09.2021

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ORDER:

In the reference 2nd read above, Government had initiated the setting up of APGICL (Andhra Pradesh General Insurance Corporation Limited) with a paid-up capital of Rs. 100 Crores. The Corporation was incorporated on 07.06.2020 and the process for registration with IRDAI was initiated immediately.

2. Whereas the registration process with IRDAI consists of three stages namely R1, R2 and R3. The Corporation had submitted its Form R1 on 20.10.2020 and subsequently various queries raised by IRDAI were also addressed.

3. In the reference 7th read above, the MD (APGICL) conveyed that IRDAI had sought certain commitment from the sole promoter (Government of Andhra Pradesh) of APGICL, for maintenance of required solvency margin of APGICL in case of any/ all foreseen or unforeseen scenario or stress situation.

4. In the reference 1st read above, it was approved that the Company/ Corporation (APGICL) would be supported by the Government, through infusion of capital, as per the needs of the entity and its subsequent activities.

5. In the reference 4th read above, the Board of APGICL had resolved as to maintain, *at all times,* an Internal Solvency Margin (ISM) of 1.55 so as not to breach the Required Solvency Margin (RSM) of 1.50 in case of any foreseen or unforeseen circumstances. This would require additional infusion of Capital to an extent of Rs. 24 Crores towards maintaining Internal Solvency Margin of 1.55 in Base Case Scenario. It was further resolved, upon the Breach of Internal Solvency Margin, to seek and obtain required capital infusion from Government of Andhra Pradesh (sole promoter) in order to avoid breach of required solvency margin.

6. As per Section 64VA of the Insurance Act, 1938 every insurer shall maintain an excess of the value of assets over the amount of liabilities of not less than an amount prescribed by the IRDA, which is referred to as a required solvency margin. The stipulated solvency ratio of for General Insurers is 1.50; or higher of RSM-1 and RSM-2 computed as under for each Line of Business separately.

7. The Government, after careful examination of the proposal, hereby order as under:

a) APGICL shall, at all times, maintain the required solvency margin as stipulated by IRDAI.
b) In any foreseen or unforeseen circumstances such as adverse crop seasons, upon the Breach of Internal (Benchmark) Solvency Margin of 1.55, APGICL should seek and obtain required capital infusion from Government of Andhra Pradesh (sole promoter) in order to avoid breach of required solvency margin as stipulated by IRDAI.
c) Additional infusion of capital to an extent of Rs. 24 Crores towards maintaining Internal Solvency Margin of 1.55 in Base Case stress scenario for first year of operations, as projected, will be made available to the Corporation upon approval of its Form R1 by IRDAI.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

SHAMSHER SINGH RAWAT
PRINCIPAL FINANCE SECRETARY

To
The Managing Director and Chief Executive Officer, A. P, General Insurance Corporation Limited, Vijayawada.
Copy to:
The Director of Insurance, A.P, Ibbrahimpatnam.
SC/SFs(1508920)

//FORWARDED:: BY ORDER//

R Rama Krishna

SECTION OFFICER